

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Township of Parma	County* JACKSON	Type* TOWNSHIP	MuniCode* 38-1-110
Opinion Date-Use Calendar* Sep 23, 2008	Audit Submitted-Use Calendar* Sep 26, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 493,969.00
General Fund Expenditure:	<input type="checkbox"/> ? \$ 399,332.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 204,926.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 100,929.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Vickie	Last Name* Crouch	Ten Digit License Number* 1101013436		
CPA Street Address* 1000 Coolidge	City* East Lansing	State* MI	Zip Code* 48823	Telephone* +1 (517) 332-1900
CPA Firm Name* Layton and Richardson, P.C.	Unit's Street Address* 2388 Eaton Rapids ROad	Unit's City* Albion	Unit's Zip* 49224	

PARMA TOWNSHIP, MICHIGAN
JACKSON COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
AND
INDEPENDENT AUDITORS' REPORT

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Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Township Board
Parma Township
Albion, Michigan

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

David Layton, CPA
Dave.Layton@LNRCPA.com

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Parma, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Township of Parma, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Parma, Michigan as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2008, on our consideration of the Township of Parma, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 5 and the required supplementary information on pages 29 through 30 are not a required part of the basic financial statement but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Parma, Michigan's basic financial statements. The accompanying introductory section and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hayton & Richardson, P.C.

Certified Public Accountants

East Lansing, Michigan
September 23, 2008

TOWNSHIP OF PARMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2008

Our discussion and analysis of the Township of Parma, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2008:

- * The Township has decided to put an addition on their building. In order to finance this, the Township took out a \$50,000 loan.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township of Parma as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township of Parma in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

The Township as a Whole

The following table shows, in condensed format, the net assets as of March 31, 2008 and 2007, comparatively:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2008	2007	2008	2007	2008	2007
ASSETS						
Current assets	\$ 222,447	\$ 132,383	\$ 44,689	\$ 52,703	\$ 267,136	\$ 185,086
Noncurrent assets	<u>38,072</u>	<u>28,661</u>	<u>65,023</u>	<u>61,767</u>	<u>103,095</u>	<u>90,428</u>
TOTAL ASSETS	<u>260,519</u>	<u>161,044</u>	<u>109,712</u>	<u>114,470</u>	<u>370,231</u>	<u>275,514</u>
LIABILITIES						
Current liabilities	23,719	20,552	3,651	3,652	27,370	24,204
Long-term liabilities	<u>87,116</u>	<u>50,929</u>	<u> </u>	<u> </u>	<u>87,116</u>	<u>50,929</u>
TOTAL LIABILITIES	<u>110,835</u>	<u>71,481</u>	<u>3,651</u>	<u>3,652</u>	<u>114,486</u>	<u>75,133</u>
NET ASSETS						
Invested in capital assets –						
Net of related debt	(11,928)	28,661	65,023	61,767	53,095	90,428
Restricted						
Construction code						
Cemetery	10,000	10,000			10,000	10,000
Unrestricted	<u>151,612</u>	<u>50,902</u>	<u>41,038</u>	<u>49,051</u>	<u>192,650</u>	<u>99,953</u>
TOTAL NET ASSETS	<u>\$ 149,684</u>	<u>\$ 89,563</u>	<u>\$ 106,061</u>	<u>\$ 110,818</u>	<u>\$ 255,745</u>	<u>\$ 200,381</u>

TOWNSHIP OF PARMA

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

MARCH 31, 2008

Governmental Activities

The Township's total governmental revenue decreased by approximately \$30,000. The decrease, which represents 7 percent, was due primarily to the decrease in monies received from a Homeland Security grant. The grant accounts for all of the decrease.

Expenditures decreased by \$46,000 during the year. The decrease was due primarily to expenditures relating to the grant expenditures.

Business-Type Activities

The Township's business-type activities consist of the Water Fund. We provide water to residents in Amberton Village. Revenues decreased approximately \$1,367 compared to prior year and expenses decreased approximately \$1,772.

The following table shows the changes in the net assets during the year ended March 31, 2008 comparatively with prior year information:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2008	2007	2008	2007	2008	2007
REVENUE						
Program revenue						
Charges for services	\$ 32,957	\$ 48,149	\$ 20,101	\$ 21,621	\$ 53,058	\$ 69,770
General revenue						
Property taxes	162,019	157,870			162,019	157,870
State-shared revenue	168,217	166,825			168,217	166,825
Grants	62,098	99,422			62,098	99,422
Unrestricted investment earnings and miscellaneous	<u>18,679</u>	<u>1,318</u>	<u>1,208</u>	<u>1,055</u>	<u>19,887</u>	<u>2,373</u>
TOTAL REVENUE	<u>443,970</u>	<u>473,584</u>	<u>21,309</u>	<u>22,676</u>	<u>465,279</u>	<u>496,260</u>
PROGRAM EXPENSES						
General government	120,271	137,640			120,271	137,640
Public safety	243,551	268,696			243,551	268,696
Public works	8,435	7,889			8,435	7,889
Recreation and culture	11,592	15,016			11,592	15,016
Water and sewer	<u> </u>	<u> </u>	<u>26,066</u>	<u>27,838</u>	<u>26,066</u>	<u>27,838</u>
TOTAL PROGRAM EXPENSES	<u>383,849</u>	<u>429,241</u>	<u>26,066</u>	<u>27,838</u>	<u>409,915</u>	<u>457,079</u>
CHANGE IN NET ASSETS	<u>\$ 60,121</u>	<u>\$ 44,343</u>	<u>\$ (4,757)</u>	<u>\$ (5,162)</u>	<u>\$ 55,364</u>	<u>\$ 39,181</u>

TOWNSHIP OF PARMA

MANAGEMENT'S DISCUSSION AND ANALYSIS - Concluded

MARCH 31, 2008

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds for 2008 include the General Fund and Water Fund.

The General Fund pays for most of the Township's governmental services. The most significant are police and fire, which incurred expenses of approximately \$225,000. These two services are supported totally by the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant change was to increase the estimated receipts for the property taxes by \$68,214. Departments' expenditures overall were over budget by approximately \$29,900.

Capital Asset and Debt Administration

At the end of 2008, the Township had \$436,911 invested in buildings and improvements, other tools and equipment, and the water system.

Economic Factors and Next Year's Budgets and Rates

The Township anticipates that water rates will not increase in 2009.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report, or need additional information, we welcome you to contact the clerk's office.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide information of the governmental activities, business-type activities, major funds and the aggregate remaining funds, which collectively comprise the activities of the Township of Parma, Michigan.

PARMA TOWNSHIP, MICHIGAN
STATEMENT OF NET ASSETS - GOVERNMENT WIDE
MARCH 31, 2008

ASSETS

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 202,905	\$ 41,704	\$ 244,609
Accounts receivable		2,985	2,985
Taxes receivable	17,791		17,791
Due from other funds	1,751		1,751
Fixed assets (net of accumulated depreciation)	<u>38,072</u>	<u>65,023</u>	<u>103,095</u>
TOTAL ASSETS	<u><u>\$ 260,519</u></u>	<u><u>\$ 109,712</u></u>	<u><u>\$ 370,231</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	\$ 6,433	\$	\$ 6,433
Surety refunds		1,900	1,900
Due to other funds		1,751	1,751
Accrued interest	3,473		3,473
Current portion of installment purchase	<u>13,813</u>		<u>13,813</u>
TOTAL CURRENT LIABILITIES	23,719	3,651	27,370
LONG-TERM LIABILITIES			
Installment purchase	<u>87,116</u>		<u>87,116</u>
TOTAL LIABILITIES	<u>110,835</u>	<u>3,651</u>	<u>114,486</u>
NET ASSETS			
Invested in capital assets, net of related debt	(11,928)	65,023	53,095
Unrestricted	<u>161,612</u>	<u>41,038</u>	<u>202,650</u>
TOTAL NET ASSETS	<u>149,684</u>	<u>106,061</u>	<u>255,745</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 260,519</u></u>	<u><u>\$ 109,712</u></u>	<u><u>\$ 370,231</u></u>

See accompanying notes to financial statements.

PARMA TOWNSHIP, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

		PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
	EXPENSES		
FUNCTIONS/PROGRAMS			
Primary Government			
Governmental Activities			
General government	\$ 120,271	\$	\$ 230,315
Public safety	243,551	11,269	
Public works	8,435		
Health and welfare	10,900		
Culture and recreation	692		
Total Governmental Activities	<u>383,849</u>	<u>11,269</u>	<u>230,315</u>
Business-Type Activities			
Water	<u>26,066</u>	<u>20,101</u>	
Total Primary Government	<u>\$ 409,915</u>	<u>\$ 31,370</u>	<u>\$ 230,315</u>

General Revenues
Property taxes levied for general purposes
Licenses and permits
Miscellaneous
Unrestricted investment earnings

Total General Revenues

Change in Net Assets

Net Assets, April 1

Net Assets, March 31

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE	
		ACTIVITIES	
\$	\$ 110,044	\$	\$ 110,044
	(232,282)		(232,282)
	(8,435)		(8,435)
	(10,900)		(10,900)
	(692)		(692)
	(142,265)		(142,265)
		(5,965)	(5,965)
\$	(142,265)	(5,965)	(148,230)
	162,019		162,019
	21,688		21,688
	14,657		14,657
	4,022	1,208	5,230
	202,386	1,208	203,594
	60,121	(4,757)	55,364
	89,563	110,818	200,381
\$	\$ 149,684	\$ 106,061	\$ 255,745

PARMA TOWNSHIP, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

MARCH 31, 2008

ASSETS

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 191,817	\$ 11,088	\$ 202,905
Taxes receivable	17,791		17,791
Due from other funds	<u>1,751</u>		<u>1,751</u>
 TOTAL ASSETS	 <u>\$ 211,359</u>	 <u>\$ 11,088</u>	 <u>\$ 222,447</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	\$ <u>6,433</u>	\$ _____	\$ <u>6,433</u>
FUND BALANCE			
Reserved for cemetery		10,000	10,000
Unreserved	<u>204,926</u>	<u>1,088</u>	<u>206,014</u>
TOTAL FUND BALANCE	<u>204,926</u>	<u>11,088</u>	<u>216,014</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 211,359</u>	 <u>\$ 11,088</u>	 <u>\$ 222,447</u>

See accompanying notes to financial statements.

PARMA TOWNSHIP, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
MARCH 31, 2008

Total fund balances - governmental funds			\$	216,014
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$62,120 and the accumulated depreciation is \$24,048				38,072
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:				
Notes payable	\$	(100,929)		
Accrued interest		<u>(3,473)</u>		
				<u>(104,402)</u>
Total net assets - governmental activities			\$	<u><u>149,684</u></u>

See accompanying notes to financial statements.

PARMA TOWNSHIP, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$ 162,019	\$	\$ 162,019
Licenses and permits	21,688		21,688
Intergovernmental	230,315		230,315
Charges for services	11,269		11,269
Interest	4,021	1	4,022
Other	64,657		64,657
	<u>493,969</u>	<u>1</u>	<u>493,970</u>
TOTAL REVENUES			
EXPENDITURES			
General government	129,682		129,682
Public safety	249,315		249,315
Public works	8,435		8,435
Health and welfare	10,900		10,900
Culture and recreation	1,000	(308)	692
	<u>399,332</u>	<u>(308)</u>	<u>399,024</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER EXPENDITURES	94,637	309	94,946
FUND BALANCE, APRIL 1	<u>110,289</u>	<u>10,779</u>	<u>121,068</u>
FUND BALANCE, MARCH 31	<u>\$ 204,926</u>	<u>\$ 11,088</u>	<u>\$ 216,014</u>

See accompanying notes to financial statements.

PARMA TOWNSHIP, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

Net changes in fund balances - total governmental funds	\$ 94,946
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Expenditures for capital assets	14,996
Less: current year depreciation	(5,585)
Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	
Accrued interest	(1,467)
Proceeds from loan payable	(50,000)
Principal payments	<u>7,231</u>
Change in net assets of governmental activities	\$ <u><u>60,121</u></u>

See accompanying notes to financial statements.

PARMA TOWNSHIP, MICHIGAN

STATEMENT OF NET ASSETS

PROPRIETARY FUND - WATER

MARCH 31, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 41,704
Receivables	<u>2,985</u>

TOTAL CURRENT ASSETS	<u>44,689</u>
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PROPERTY, PLANT AND EQUIPMENT

Water systems	374,791
Less: accumulated depreciation	<u>309,768</u>

NET PROPERTY, PLANT AND EQUIPMENT	<u>65,023</u>
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TOTAL ASSETS	<u><u>\$ 109,712</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Due to other funds	\$ 1,751
Surety refunds	<u>1,900</u>

TOTAL CURRENT LIABILITIES	<u>3,651</u>
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NET ASSETS

Invested in capital assets, net of related debt	65,023
Unreserved	<u>41,038</u>

TOTAL NET ASSETS	<u>106,061</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 109,712</u></u>
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See accompanying notes to financial statements.

PARMA TOWNSHIP, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - WATER
FOR THE YEAR ENDED MARCH 31, 2008

OPERATING REVENUES	
Charges for services	\$ <u>20,101</u>
OPERATING EXPENSES	
Wages and related expenses	8,198
Utilities	1,894
Repairs and maintenance	6,054
Other supplies and expenses	2,810
Depreciation	<u>7,110</u>
TOTAL OPERATING EXPENSES	<u>26,066</u>
OPERATING LOSS	<u>(5,965)</u>
NONOPERATING REVENUES	
Interest earned	<u>1,208</u>
NET LOSS	(4,757)
NET ASSETS, APRIL 1	<u>110,818</u>
NET ASSETS, MARCH 31	\$ <u><u>106,061</u></u>

See accompanying notes to financial statements.

PARMA TOWNSHIP, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER
FOR THE YEAR ENDED MARCH 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 20,101
Cash payment for employees	(8,198)
Cash payment for goods and services	<u>(10,758)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,145</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment for capital acquisitions	<u>(10,367)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>1,208</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,014)
CASH AND CASH EQUIVALENTS, APRIL 1	<u>49,718</u>
CASH AND CASH EQUIVALENTS, MARCH 31	<u><u>\$ 41,704</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ <u>(5,965)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	<u>7,110</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,145</u></u>

See accompanying notes to financial statements.

PARMA TOWNSHIP, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Parma, Michigan conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

A. Reporting Entity

All funds and account groups under direct control of the Township are included in this report. These funds and account groups are those which meet the criteria established by Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, and Statement on Michigan Governmental Accounting and Auditing No.5.

The criteria established by GASB for determining which of the Township's various organizations and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township of Parma, Michigan. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Concluded

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to fund liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All revenue items are considered to be measurable and available only when cash is received by the Township of Parma.

The Township of Parma reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township of Parma reports the following major proprietary fund:

- The Water Fund accounts for the operation of the well.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township of Parma has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services and privileges provided 2) operating grants and contributions, and 3) capital grants and contributions. All taxes are reported as general revenue.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township of Parma's policy to use restricted resources first. Unrestricted resources are used as they are needed.

D. Budgets

The budget for the General Fund is enacted by the Township Board annually through passage of a resolution, which establishes appropriations and identifies resources to finance them. Budgets are enacted by activity and, more specifically, by personnel expenditures and supplies and services within activity. Unexpended appropriations lapse at each year end. The budget for the General Fund shown in the financial statements is adopted on the cash basis, which is not in conformity with U.S. generally accepted accounting principles.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

E. Receivables

Receivables have been recognized for all significant amounts due the Township. No allowances have been made for uncollectible amounts because, if they remain unpaid, most delinquent receivables can be added to the tax roll and become a lien against the property.

F. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township of Parma as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in the government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on the government-wide and proprietary statement of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Land	n/a
Buildings	40-50 years
Equipment	3-7 years
Water systems	5-20 years

G. Long-Term Liabilities

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activities statement of net assets.

H. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Concluded**

I. Deposits and Investments

All highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are defined as cash equivalents. All investments for the primary government are reported at fair value.

J. Cash and Cash Equivalents

For purposes of the statements of cash flows, the proprietary and fiduciary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2: **PROPERTY TAX**

The 2007 property tax revenue includes property taxes levied principally on July 1, 2007, and substantially collected in July and December, 2007. The total 2007 levy for the Township was \$160,502 for general operating purposes and fire/rescue.

NOTE 3: **INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables balances at March 31, 2008 are as follows:

FUND	DUE FROM	FUND	DUE TO
General Fund	\$ <u>1,751</u>	Water	\$ <u>1,751</u>

This was created for cash flow purposes.

NOTE 4: **LONG-TERM OBLIGATIONS**

The Township owes for a tanker truck that is under a lease with an option to purchase installment agreement. The tanker truck will be purchased at the completion of the lease. Therefore, the full amount owed is recognized below. Although the Village of Parma is responsible for half of the payment, the agreement is in the name of Parma Township. Hence, if the Village of Parma defaults on their half of the amount owed, the Township is responsible for the full amount of the payment. The annual installment is \$9,906, including interest at 4.599%. The installment is due in full on July 1, 2013.

The Township owes for the addition to the Township Hall. The annual principal amount due is \$6,250. Interest is calculated at 4.25%. The payments are due on February 1 of each year. The note will be paid in full on February 1, 2016.

The following is the detail of the long-term debt transaction of the General fund for the year ended March 31, 2008:

As of April 1, 2007	\$ 58,160
Additions	<u>42,769</u>
As of March 31, 2008	\$ <u>100,929</u>

NOTE 4: **LONG-TERM OBLIGATIONS** - Concluded

Current maturities are as follows:

YEAR ENDING	AMOUNT
March 31, 2009	\$ 13,813
March 31, 2010	14,161
March 31, 2011	14,525
March 31, 2012	14,907
March 31, 2013	15,304
March 31, 2014 - 2016	<u>28,219</u>
	<u>\$ 100,929</u>

NOTE 5: **COMPLIANCE WITH STATE BUDGET ACT**

P.A. 621 of 1978, as amended, requires that a local unit of government adopt a budget for the general and special revenue funds. The Township adopts a budget for only the general fund. P.A. 621 also provides that a local unit shall not incur expenditures in excess of amounts appropriated. For the year ended March 31, 2008, the actual expenditures exceeded final budgeted amounts for the following funds:

	BUDGET	ACTUAL EXPENDITURES	VARIANCE (UNFAVORABLE)
General Fund			
Township Board	\$ 3,100	\$ 3,300	\$(200)
Supervisor	9,402	10,708	(1,306)
Clerk	10,515	22,484	(11,969)
Treasurer	19,079	23,053	(3,974)
Building inspection and regulation activities	20,400	24,639	(4,239)
Public works	7,730	8,435	(705)
Police	58,495	69,155	(10,660)
Fire	114,950	155,521	(40,571)

NOTE 6: **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Township maintains one Enterprise Fund: the Water Fund. Segment information for the year ended March 31, 2008 is as follows:

	WATER
Total assets	\$ 109,712
Total liabilities	3,651
Total net assets	106,061
Operating revenues	20,101
Operating expenses	26,066
Depreciation expense	7,110
Operating loss	(5,965)
Nonoperating revenues	1,208
Change in net assets	(4,757)
Beginning net assets	110,818
Ending net assets	106,061
Cash flows from operating activities	1,425
Cash flows from capital and related financing activities	(10,367)
Cash flows from investing activities	1,208
Cash and cash equivalents, beginning	49,718
Cash and cash equivalents, ending	41,704

NOTE 7: **CAPITAL ASSETS**

A summary of changes in governmental capital assets including internal service fund assets are as follows:

	APRIL 1, 2007	ADDITIONS	DELETIONS	MARCH 31, 2008
GOVERNMENTAL ACTIVITIES				
Capital Assets Being Depreciated				
Buildings	\$ 37,195	\$	\$	\$ 37,195
Machinery and equipment	<u>11,346</u>	<u>14,996</u>	<u>1,417</u>	<u>24,925</u>
Total Capital Assets				
Being Depreciated	<u>48,541</u>	<u>14,996</u>	<u>1,417</u>	<u>62,120</u>
Less: Accumulated Depreciation				
Buildings	11,294	1,587		12,881
Machinery and equipment	<u>8,586</u>	<u>3,998</u>	<u>1,417</u>	<u>11,167</u>
Total Accumulated Depreciation	<u>19,880</u>	<u>5,585</u>	<u>1,417</u>	<u>24,048</u>
NET CAPITAL ASSETS	<u>\$ 28,661</u>	<u>\$ 9,411</u>	<u>\$</u>	<u>\$ 38,072</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
General government	<u>\$ 5,585</u>

A summary of the asset activity for the proprietary fund is as follows:

	APRIL 1, 2007	ADDITIONS	DELETIONS	MARCH 31, 2008
BUSINESS-TYPE ACTIVITIES				
Capital Assets Being Depreciated				
Water system	\$ <u>364,425</u>	\$ <u>10,366</u>	\$ _____	\$ <u>374,791</u>
Less: Accumulated Depreciation				
Water system	<u>302,658</u>	<u>7,110</u>	_____	<u>309,768</u>
NET CAPITAL ASSETS	<u>\$ 61,767</u>	<u>\$ 3,256</u>	<u>\$</u>	<u>\$ 65,023</u>

NOTE 8: **RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Township to purchase commercial insurance for most risks of loss to which it is exposed.

NOTE 9: **CASH AND CASH EQUIVALENTS**

A reconciliation of cash and cash equivalents follows:

Government-Wide Statement of Net Assets	
Cash	\$ <u>244,609</u>

A summary by type are:

Deposits	
Cash in savings accounts/ money market	\$ <u>244,609</u>

Deposits

At March 31, 2008, the banks were carrying a cash balance of \$250,902 - not including any pooled investment funds. These deposit classifications are covered by Federal Depository Insurance as follows:

DEPOSITS	BANK BALANCE
Insured	\$ 100,000
Uninsured and uncollateralized	<u>150,902</u>
	\$ <u>250,902</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2008, the Township's bank balance of \$250,902 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>150,902</u>
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REQUIRED SUPPLEMENTARY INFORMATION

PARMA TOWNSHIP, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2008

	BUDGETED AMOUNTS			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Taxes				
Current property taxes	\$ 45,000	\$ 113,214	\$ 121,285	\$ 8,071
Delinquent taxes	14,479	14,479	16,434	1,955
Administration fees	22,240	22,240	23,272	1,032
Other	100	100		(100)
Interest and penalties	3,071	4,771	1,028	(3,743)
Total Taxes	84,890	154,804	162,019	7,215
Licenses and Permits				
Building, mechanical, electrical, plumbing	14,900	14,900	17,338	2,438
Franchise fees	4,300	100	4,250	4,150
Other		210	100	(110)
Total Licenses and Permits	19,200	15,210	21,688	6,478
Intergovernmental				
Federal grant		99,300	61,493	(37,807)
State grant	550	550	605	55
State revenue sharing	170,200	170,200	168,217	(1,983)
Liquor licenses	550	550		(550)
Total Intergovernmental	171,300	270,600	230,315	(40,285)
Charges for Services				
Zoning	2,700	3,400	2,585	(815)
Other	9,004	8,454	8,684	230
Total Charges for Services	11,704	11,854	11,269	(585)
Other Revenues				
Interest on investments	400	1,150	4,021	2,871
Reimbursements	170	2,670	12,854	10,184
Proceeds from loan			50,000	50,000
Miscellaneous	5,800	6,025	1,803	(4,222)
Total Other Revenues	6,370	9,845	68,678	58,833
TOTAL REVENUES	293,464	462,313	493,969	31,656

PARMA TOWNSHIP, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - Concluded

GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
EXPENDITURES				
General Government				
Township board	\$ 3,100	\$ 3,100	\$ 3,300	\$ (200)
Supervisor	9,402	9,402	10,708	(1,306)
Administration	65,802	79,270	44,661	34,609
Elections	5,245	5,620	4,605	1,015
Assessor	24,880	25,680	20,311	5,369
Clerk	10,265	10,515	22,484	(11,969)
Board of review	575	575	560	15
Treasurer	19,079	19,079	23,053	(3,974)
Total General Government	<u>138,348</u>	<u>153,241</u>	<u>129,682</u>	<u>23,559</u>
Public Safety				
Police	66,495	58,495	69,155	(10,660)
Fire	9,950	114,950	155,521	(40,571)
Building inspection and regulation activities	<u>18,120</u>	<u>20,400</u>	<u>24,639</u>	<u>(4,239)</u>
Total Public Safety	<u>94,565</u>	<u>193,845</u>	<u>249,315</u>	<u>(55,470)</u>
Public Works				
Highways and streets	<u>6,920</u>	<u>7,730</u>	<u>8,435</u>	<u>(705)</u>
Health and Welfare	<u>12,700</u>	<u>12,700</u>	<u>10,900</u>	<u>1,800</u>
Culture and Recreation	<u>2,000</u>	<u>2,000</u>	<u>1,000</u>	<u>1,000</u>
TOTAL EXPENDITURES	<u>254,533</u>	<u>369,516</u>	<u>399,332</u>	<u>(29,816)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	38,931	92,797	94,637	1,840
FUND BALANCE, APRIL 1	<u>82,627</u>	<u>82,627</u>	<u>110,289</u>	<u>(27,662)</u>
FUND BALANCE, MARCH 31	<u>\$ 121,558</u>	<u>\$ 175,424</u>	<u>\$ 204,926</u>	<u>\$ 29,502</u>

PERMANENT FUNDS

The permanent funds exist to account for resources legally held in trust to be used for General Fund Designated and Cemetery Trust.

PARMA TOWNSHIP, MICHIGAN
BALANCE SHEET
PERMANENT FUND - CEMETERY TRUST
MARCH 31, 2008

ASSETS

Cash and cash equivalents	\$ <u>11,088</u>
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FUND BALANCE

Reserved for cemetery trust	\$ 10,000
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Unreserved	<u>1,088</u>
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TOTAL FUND BALANCE	\$ <u>11,088</u>
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PARMA TOWNSHIP, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
PERMANENT FUND - CEMETERY TRUST
FOR THE YEAR ENDED MARCH 31, 2008

REVENUES	
Interest income	\$ <u> 1</u>
EXPENDITURES	
Other	<u> (308)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u> 309</u>
FUND BALANCE, APRIL 1	<u> 10,779</u>
FUND BALANCE, MARCH 31	\$ <u><u> 11,088</u></u>



Layton & Richardson, P.C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Township Board
Township of Parma
Albion, Michigan

We have audited the financial statements of the Township of Parma as of and for the year ended March 31, 2008, and have issued our report thereon dated September 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Parma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Parma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

2008-1 It is a requirement of GAAP, that all entities have on staff at least one individual that can prepare their financial statements and notes to financial statements. The Township has decided it is more cost effective to outsource the preparation of its annual financial statements to the auditors rather than incur the time and expense of obtaining the necessary training and expertise required to prepare them internally. They are not in accordance with principles generally accepted in the United States.

2008-2 Auditor adjustments (which were approved and posted by management) in amounts material to the financial statements were necessary to correctly state the Township's general ledger to the appropriate balances. This included the recording of all accounts payable, fixed asset additions, and depreciation.

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

David Layton, CPA
DaveLayton@LNRCPA.com

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Parma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance.

We noted certain matters that we reported to management of the Township of Parma in a separate letter dated September 23, 2008.

This report is intended solely for the information and use of management, the Township Board and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Layton & Richardson, P.C." in a cursive script.

Certified Public Accountants

East Lansing, Michigan
September 23, 2008



Layton & Richardson, P.C.

Certified Public Accountants

AUDITORS' LETTER OF COMMENTS AND RECOMMENDATIONS

Township Board
Township of Parma
Albion, Michigan

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

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Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
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Steve@LNRCPA.COM

David Layton, CPA
DaveLayton@LNRCPA.com

We have audited the general purpose financial statements of the Township of Parma for the year ended March 31, 2008, and have issued our report on those statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of the Township of Parma. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of the Township of Parma is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation of the internal accounting control system would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Township of Parma.

PRIOR YEAR RECOMMENDATIONS

TAXES

Currently, the Assessor does not provide a signed warrant to the Treasurer. We recommend a signed warrant be provided to the Treasurer to provide a basis for the amount of taxes recorded on the tax roll. **This has been implemented.**

GENERAL

We noted during our audit that the Board Minutes are not signed. We recommend the minutes be signed by the Clerk. This will authenticate the minutes and ensure the Township is following governmental guidelines. **This has not been implemented.**

We noted during our audit that back-up data is not tested to determine whether it can be relied upon to restore data. We recommend the back-up data be periodically tested to ensure that it could be used in the event of data loss. This will increase protection against data loss. **This has not been implemented.**

PRIOR YEAR RECOMMENDATIONS - Continued

GENERAL - Concluded

We noted during our testing that bank statements are received unopened by the person who also does the reconciliation. We recommend the bank statements be opened and reviewed by an appropriate employee or Board Member that is independent of the bank reconciliation. This person would review the bank statements and canceled checks for any strange or unusual items and investigate these items, should any be found. Documentation of their review should be made by dating and initialing the face of the bank statement. This will provide a more effective system of cash controls as it will not permit the possibility of fraudulent activities due to the lack of adequate segregation of duties. Also, it will significantly improve the system of checks and balances necessary for strong cash control. **This has not been implemented.**

We noted during our audit that passwords are not changed at regular intervals. We recommend that passwords be changed on periodic basis in order to provide better security over computer records. **This has not been implemented.**

Currently, the Township does not have a contingency plan for recovery in the event of a disaster and/or data loss. We recommend the Township create a contingency plan to be used in the event of a disaster and/or data loss. This plan would allow the Township to recover and resume operations more quickly if such an event were to occur. A copy of the plan should be stored at an offsite location. **This has not been implemented.**

DISBURSEMENTS

We noted during our testing that paid invoices could be distinguished from unpaid invoices only by check stubs that are attached to paid invoices. This is an unreliable system of payment notation. Check stubs can at times become detached from paid invoices. Without having some notation of payment on the invoice, the check writer could inadvertently pay this invoice a second time. We recommend writing "PAID", the check number, and the date paid on the invoice. This will ensure proper cancellation of invoices after payment, and help prevent duplicate payment of invoices. **This has been implemented.**

We noted during our testing that blank checks are stored in an unlocked location. This situation creates the possibility that a blank check could be taken by an unauthorized individual and then executed and presented for payment. To safeguard against such an event, blank check stock should be kept in a locked box or cabinet accessible only to those with proper authorization. This will help to reduce the possibility of fraud. **This has not been implemented.**

We noted during our testing that signed checks are returned to the person who prepared them. We recommend the checks be given to someone other than the person who prepared them for mailing. This will increase segregation of duties, help reduce the possibility of fraud, and significantly increase internal accounting controls. **This has not been implemented.**

PURCHASING

We noted during our testing that all employees are authorized to make purchases and that purchase orders are not used. This is an inefficient operation. This practice also causes a certain loss of control and efficiency. We recommend either the purchasing function be centralized or implementing purchase orders. The purchase orders should be maintained and distributed by one individual. This individual should maintain a copy of all purchase orders. An authorized individual should authorize all purchase orders. A copy of the purchase order should be forwarded to the Clerk's office. The Clerk should compare the goods received to the purchase order as well as the purchase order to the vendor invoices. This will increase controls and prevent duplicate purchases of similar goods. **This has not been implemented.**

PRIOR YEAR RECOMMENDATIONS - Concluded

ACCOUNTS PAYABLE

We noted during our audit that monthly reconciliations of the accounts payable subsidiary and general ledger are not being performed. Monthly reconciliations of the accounts payable subsidiary and the general ledger must be performed to maintain the two in balance and identify the reasons for any difference. We recommend that this reconciliation become a standard part of the monthly closing routine. **This has not been implemented.**

FIXED ASSETS

Complete and detailed records of property and equipment owned by the Township are considered to be essential documentation providing control over substantial amounts of assets. These records should be a part of the Township's general ledger system and be updated throughout the year as fixed assets are purchased and disposed of. **This has not been implemented.**

CURRENT YEAR RECOMMENDATIONS

DEPOSITS

We noted during the audit that deposits are not made consistently and sometimes money is kept over the weekend. We recommend that deposits be made at least weekly and more frequently if a substantial amount of money has been received.

SAFEKEEPING

We noted during the audit that cash or checks received and not immediately deposited are kept in an unlocked drawer. We recommend that a fireproof safe be used to store any cash or checks received and not deposited that day to avoid the risk of theft or damage.

We are grateful to the Township employees for the assistance and cooperation we received during the audit and we thank them.



Certified Public Accountants

East Lansing, Michigan
September 23, 2008